

Why am I being audited?

You may be wondering why you're being audited by the Department of Revenue (DOR). Audits are a routine procedure used to determine whether state excise taxes have been reported and paid correctly. The majority of businesses audited by the DOR are chosen using statistical methods. Very few audits result from a specific problem.

In general, your records will be reviewed to verify proper tax reporting. You may also receive helpful instructions and information on how to fill out returns in the future. An audit is not meant to be frightening, and the DOR is committed to working with you in a professional and cooperative manner.

What happens during an audit?

The auditor will contact you to describe the records which will be reviewed and schedule a convenient time and place to meet.

An audit appointment may be held:

- At your business or home;
- At one of Revenue's field offices; or
- At your accountant's, attorney's, or other representative's office.

You may choose to have your attorney, accountant or representative present during the audit.

How can I prepare for an audit?

An audit by the DOR will normally cover the four preceding calendar years, plus the current year through the end of the last calendar quarter. All taxes, deductions and exemptions reported on your Combined Excise Tax Return will be reviewed. Major taxes that you may pay on the tax return include the business and occupation, retail sales, use and public utility tax.

An audit of your business activities will cover several major areas, including:

1. **Income** - verification of proper amounts and classifications reported on the return.
2. **Deductions and exemptions** - verification of proper amounts, classifications and documentation.
3. **Purchases** - verification of retail sales or use tax paid on capital assets, consumable supplies, or articles manufactured for your own use.

To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meeting with the auditor:

- Washington State Combined Excise Tax Returns and workpapers;
- Federal income tax returns for the business;
- Summary accounting records and source journals such as check registers, the general ledger, sales journal,

general journal, cash receipts journal and any other records you use to record income and expenses;

- Sales invoices;
- Purchase invoices (i.e., accounts payable, receipts);
- Depreciation schedule listing all assets acquired during the audit period along with purchase invoices for those assets;
- Resale certificates for any wholesale sales made; and
- Supporting documentation for all deductions and exemptions.

Although most audits can be completed with the above records, additional documents may be requested during the audit. If we need to review numerous records, we may use document sampling to verify your tax liabilities. We will discuss our sampling technique with you to verify your agreement with the method used.

All information you provide will be maintained in strict confidence and is not available to the public. However, you should be aware that the Department of Revenue has information sharing agreements with the Internal Revenue Service and other state agencies.

What happens after the audit?

Following our review, you will be told of any tax differences. The auditor will explain each adjustment clearly to you or your representative before finalizing the audit. If you believe we made a mistake, or you have further information we have not considered, please contact the auditor promptly.

If you agree with the adjustments, the audit will be processed and a copy of all applicable schedules and laws and rules will be mailed to you. It will take approximately four to six weeks for the final audit copy to reach you. **Should the audit result in additional taxes owed, you have 30 days from the date the audit was mailed to pay the tax and interest in full.** You may pay the tax and interest before the due date. Since interest accrues until payment is made in full, please contact the auditor to determine the amount of interest due and to receive proper payment instructions. You will owe penalties and additional interest if payment is not received prior to the due date. If payment of taxes due would result in a hardship for your business, please contact the audit manager promptly. If you have overpaid your taxes, you will receive a credit notice to apply against amounts due on future returns. You may receive a refund if the credit is a large amount or if requested by you.

If you disagree with the adjustments, you may schedule a conference with the auditor's manager and review disputed issues. If agreement cannot be reached, you will be provided with information on appeal procedures. **You have 30 days from the date the audit report is mailed to appeal informally to the DOR.** If you file an appeal prior to the assessment's due date, you will not have to pay protested amounts. Only unprotested amounts will remain due. If you file your appeal more than 30 days after the audit report is mailed, you must pay the total amount due and petition for refund.

What are my rights and responsibilities as a taxpayer?

The Department of Revenue's taxpayer rights and responsibilities law went into effect in 1991. The law states that your rights as a Washington State taxpayer include the right to:

- simple and prompt administrative process for tax refunds and credits;
- timely, fair and equitable treatment with dignity and respect;
- accurate written information on reporting instructions, appeal procedures, refund claims, and reasons for assessment;
- public hearings on proposed rules;
- review and appeal of assessments, business registration revocation and adverse rulings;
- remedies when statutes and rules are found to be unconstitutional; and
- confidentiality of business and financial information.

Your responsibilities as a taxpayer include registering with the Department of Revenue; knowing your tax reporting obligations and seeking instructions when you are uncertain; keeping accurate and complete business records; filing returns and paying taxes in a timely manner; ensuring the accuracy of the information entered on your tax return; substantiating claims for refund; and notifying the Department of Revenue and paying taxes promptly when closing a business.

If at any time you need help understanding your rights and responsibilities, please contact the Department of Revenue.

The Audit Process

Contacted by the auditor to schedule an appointment



Information gathered



Audit performed



Audit findings discussed



Audit agreed to OR supervisor's conference held



Audit finalized



Any adjustment paid OR appeal filed

Department of Revenue Offices

Bellingham

(360) 676-2114

Everett

(425) 356-2911

Kennewick

(509) 585-1501

Kent

(253) 437-3440

Olympia

(360) 753-3181

Port Angeles

(360) 457-2564

Seattle

(206) 956-3000

Spokane

(509) 482-3800

Tacoma

(253) 593-2722

Vancouver

(360) 260-6176

Wenatchee

(509) 663-9714

Yakima

(509) 575-2783

Telephone Information Center

1-800-647-7706

NOTE: Information provided in this brochure is meant to be general. If you need more information about the audit process, please contact your local Department of Revenue office.

*To inquire about the availability of this document in an alternate format for the visually impaired, please call
(360) 486-2342.*

*Teletype (TTY) users please call
1-800-451-7985.*



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THE AUDIT PROCESS

What to expect

How to prepare

What your rights are



Serving the People of Washington